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**COUNCIL OF SAN BENITO COUNTY  
GOVERNMENTS**

**SINGLE AUDIT REPORT**

**JUNE 30, 2009**

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# COUNCIL OF SAN BENITO COUNTY GOVERNMENTS

Single Audit Report  
For the Year Ended June 30, 2009

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**GRACE & ASSOCIATES**  
Certified Public Accountants and Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Board of Directors  
Council of San Benito County Governments  
Hollister, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Council of San Benito County Governments, as of and for the year ended June 30, 2009, which collectively comprise the Council of San Benito County Governments' basic financial statements and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Council of San Benito County Governments' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council of San Benito County Governments' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council of San Benito County Governments' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council of San Benito County Governments' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council of San Benito County Governments' financial statements that is more than inconsequential will not be prevented or detected by the Council of San Benito County Governments' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council of San Benito County Governments' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Council of San Benito County Governments  
Hollister, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Council of San Benito County Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Council of San Benito County Governments, in a separate letter dated December 2, 2009.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hollister, California  
December 2, 2009

**GRACE & ASSOCIATES**  
Certified Public Accountants and Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Council of San Benito County Governments  
Hollister, California

Compliance

We have audited the compliance of Council of San Benito County Governments, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Council of San Benito County Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Council of San Benito County Governments' management. Our responsibility is to express an opinion on Council of San Benito County Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Council of San Benito County Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. As part of our audit, we tested for whether the Council complied with the laws, rules and regulations of the Transportation Development Act, Sections 99233.1 and 99400 (a), as amended, including Section 6666 of Title 21 of the California Administrative Code; and compliance requirements for state subvention funding as outlined by the California Division of Transportation Planning; and the allocation instructions and resolutions of the Council. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Council of San Benito County Governments' compliance with those requirements.

In our opinion, Council of San Benito County Governments, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Board of Directors  
Council of San Benito County Governments  
Hollister, California

#### Internal Control Over Compliance

The management of Council of San Benito County Governments is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Council of San Benito County Governments' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council of San Benito County Governments' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Council of San Benito County Governments' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Council of San Benito County Governments' response and, accordingly, we express no opinion on it.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Council of San Benito County Governments, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Council of San Benito County Governments' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of

Board of Directors  
Council of San Benito County Governments  
Hollister, California

additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hollister, California  
December 2, 2009

# COUNCIL OF SAN BENITO COUNTY GOVERNMENTS

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<b>U.S. Department of Transportation</b>			
Passed through State Department of Transportation			
Congestion, Mitigation and Air Quality	20.205	CML 6060(005)	\$ 98,263
Congestion, Mitigation and Air Quality	20.205	CML 6060(054)	39,411
Congestion, Mitigation and Air Quality	20.205	CML 6060(055)	39,239
Transportation Equity Act 21st Century	20.205 *	HP21L-6060(028)	6,882,146
Subtotal			<u>7,059,059</u>
 Federal Transit Act 5311 (08/09)	 20.509		 226,156
Federal Transit Act 5311 (Bus Shelters)	20.509	647029	32,319
Federal Transit Act 5317 (08/09)	20.509		10,000
Subtotal			<u>268,475</u>
 Total U. S. Department of Transportation			 <u>7,327,534</u>
 Total Expenditures of Federal Awards			 <u>\$ 7,327,534</u>

\*Major Program



# COUNCIL OF SAN BENITO COUNTY GOVERNMENTS

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

### Note 1: **Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Council of San Benito County Governments. The Council of San Benito County Government's reporting entity is defined in Note 1 to the Council's basic financial statements. All federal awards are included in the schedule.

### Note 2: **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is prepared on a basis other than that used to record transactions in the accounting records and as reported in the basic financial statements. Sources of information for preparation of the Schedule of Expenditures of Federal Awards varies, depending on the accounting practices and reporting requirements of the department implementing the program.

### Note 3: **Relationship to Financial Statements**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the Council's financial statements. Federal award revenues are reported principally in the Council's financial statements as intergovernmental revenues in the General and Special Revenue funds.

COUNCIL OF SAN BENITO COUNTY GOVERNMENTS  
Schedule of Findings and Questioned Costs  
Schedule of Prior Audit Findings  
For the Year Ended June 30, 2009

**Section 1**

Summary of Auditor's Results

Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued:  | Unqualified   |
| 2. Internal control over financial reporting:                                    |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements noted?                         | No            |

Federal Awards

- |  |               |
|--|---------------|
| 1. Internal control over major programs:   |               |
| a. Material weaknesses identified?   | No            |
| b. Significant deficiencies identified not considered to be material weaknesses?   | None Reported |
| 2. Type of auditor's report issued on compliance for major programs:   | Unqualified   |
| 3. Any audit findings disclosed that are required to be Reported in accordance with Circular OMB A-133, Section 510 (a)? | No            |
| 4. Identification of major programs:   |               |

CFDA Number  
20.205

Name of Federal Program  
Transportation Equity Act

COUNCIL OF SAN BENITO COUNTY GOVERNMENTS  
Schedule of Findings and Questioned Costs  
Schedule of Prior Audit Findings  
For the Year Ended June 30, 2009

Summary of Auditor's Results

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between<br>Type A and Type B programs        | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under<br>OMB Circular A-133, Section 530? | No        |

**Section 2**

Financial Statement Findings

None Reported.

**Section 3**

Federal Award Findings and Questioned Costs

None Reported.

**Section 4**

Schedule of Prior Audit Findings

None Reported.